



RED
ELÉCTRICA
CORPORACIÓN



Chairman's
Statement

2018 Results
Strategic Plan 2018-2022

20 February 2019

The only sure thing is change

“What we see as an overall architecture underpinning our world as we know it is a bit of a puzzle now; if you like, it has collapsed into many tiny parts, and with it, unpredictability has increased.”

-Angela Merkel

Red Electrica Group seeks security through controlled diversification (I)

Electricity, telecommunications, and talents are the new raw materials for economic and social development.

Electricity: a key vector to achieve decarbonisation targets

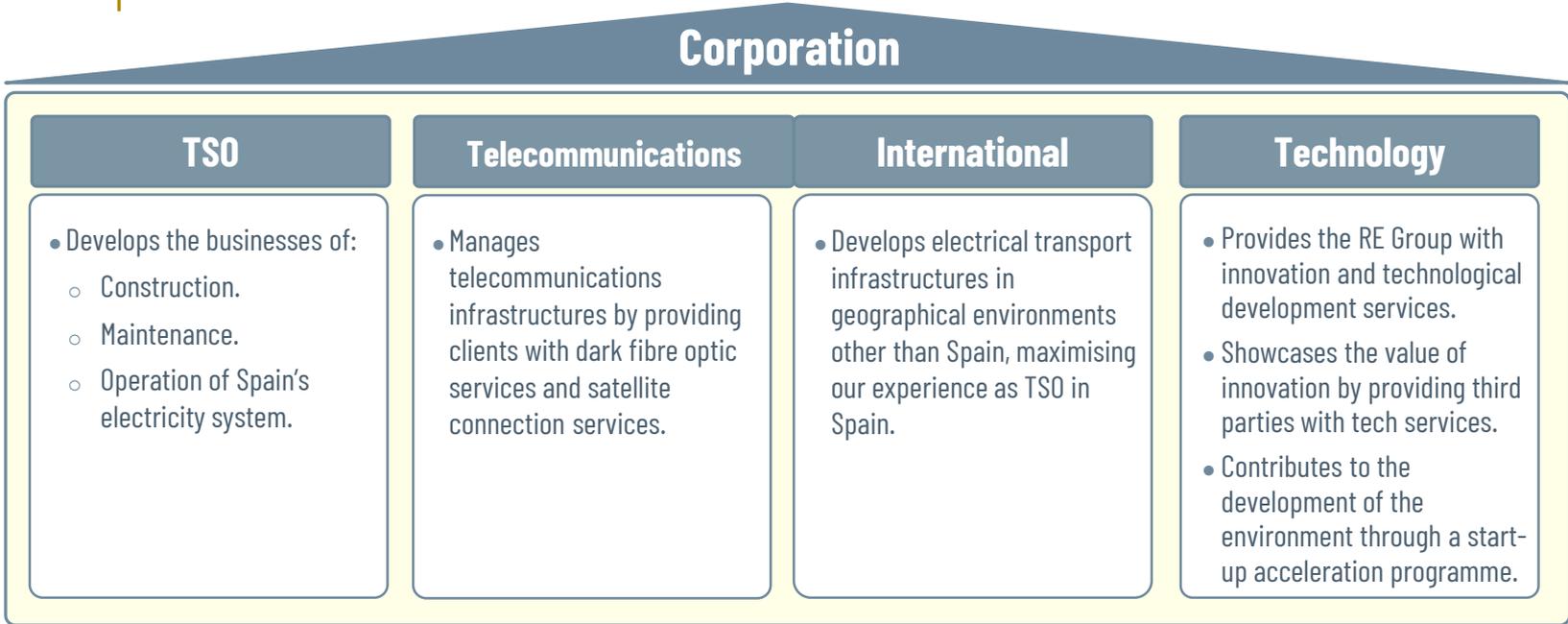
Telecommunications: the driver of industry 4.0

Talent: the key factor in the success of the global revolution that we are experiencing

A transition that can meet society's energy needs to be made urgently, as well as a redesign of the globalisation models to make a sustainable future possible

Red Electrica Group seeks security through controlled diversification (II)

Group's main businesses



The Strategic Plan envisions a model balanced between two primary lines of action:

- ✓ More operations subject to market risk that offset the concentration of regulatory risk
- ✓ Operations in regulated fields that offset market risk

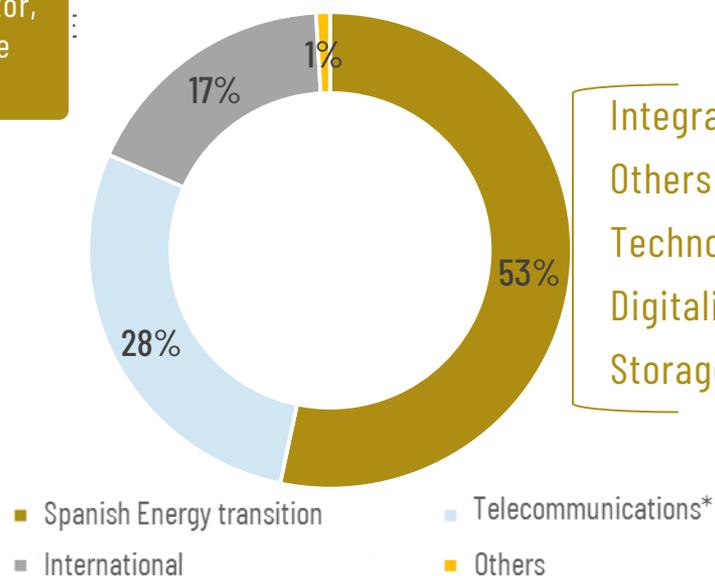
Our response to challenges posed by the economical model transformation



Red Electrica Group's Investments: €6,000 M

Investments breakdown

Integration of renewables will be the main investment vector, representing 25.5% of the total investments



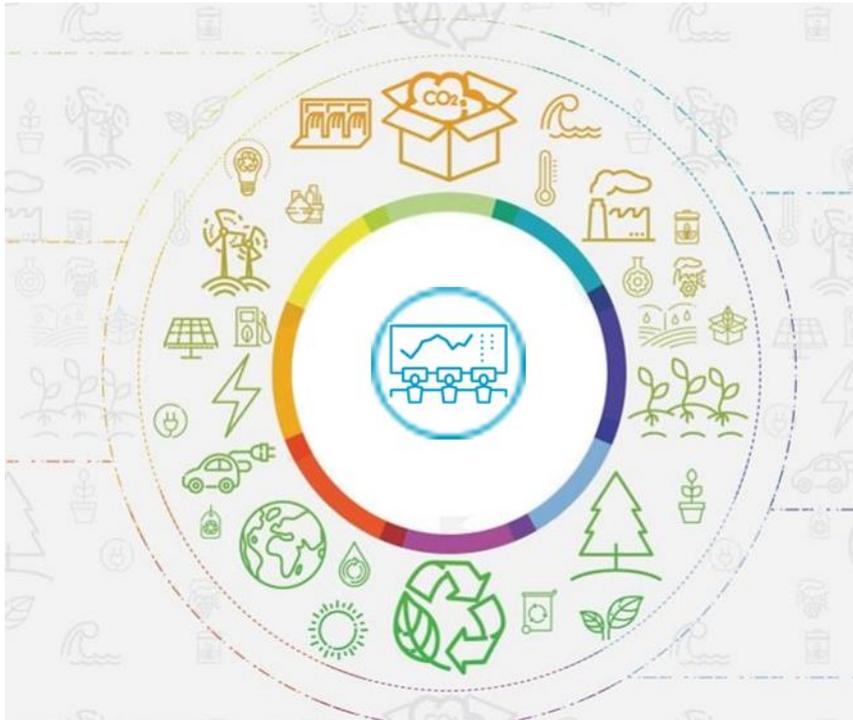
Integration of renewables: 1,538 M€
Others transmission grid: 908 M€
Technology: 298 M€
Digitalization: 262 M€
Storage: 215 M€

(*) Telecommunications: Includes HISPASAT's 89,68% stake acquisition

RE Group will reinforce the capital structure of the different business for their optimal development

RE Group will answer to the future challenges with strong investment commitment

New paradigm in the electricity sector: Decarbonisation, Digitalisation, and Decentralisation



DECARBONISATION: reduction of CO2 emissions

- Greater involvement of renewable energy
- Electrification
- Energy efficiency

DIGITALISATION

- Intelligent networks
- Big Data
- Active consumer

DECENTRALISATION

- Integration of distributed generation
- Storage
- Development of electric mobility

The System Operation will meet the needs of the Energy Transition

Challenges

Guaranteeing supply with a high proportion of variable generation.

Managing a more complex system.

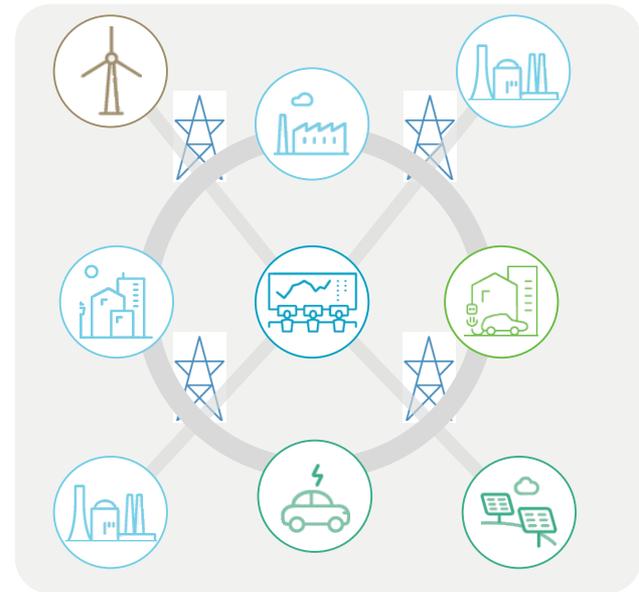
Integration of a greater number of distributed resources.

More data

More intelligence

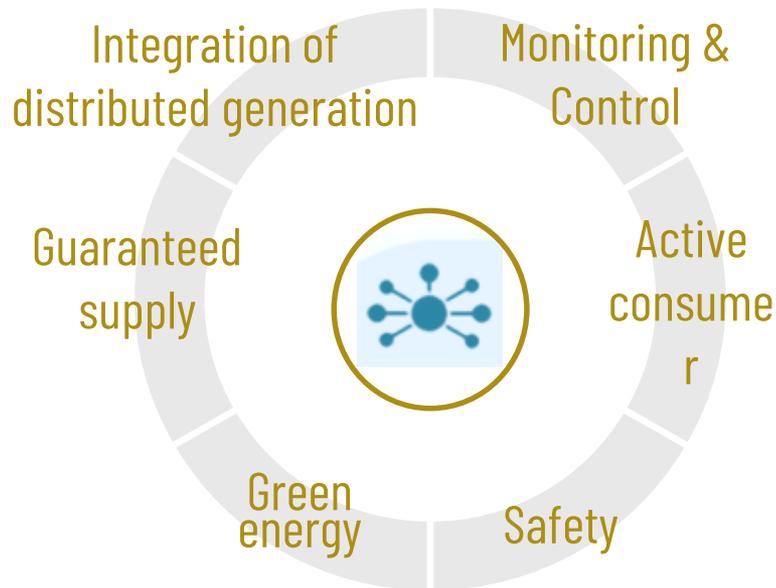
More flexibility

Platform for the future electricity sector



Red Electrica will develop services to facilitate the energy transition and to achieve a better understanding of its TSO role

We will incorporate more network intelligence for the Energy Transition...



Increase in the investment effort

- Investments for connecting renewable generation and reducing technical constraints.
- Increase interconnection capacity for:
 - Guarantee the supply related to the renewable generation volatility.
 - Facilitate the development of the Internal Energy Market.

Transmission Grid

- New equipment and systems based on high-power electronics.
- Smart Transmission Grid equipment maintenance.
- Process Automation and Robotising.
- Data analysis using artificial intelligence.

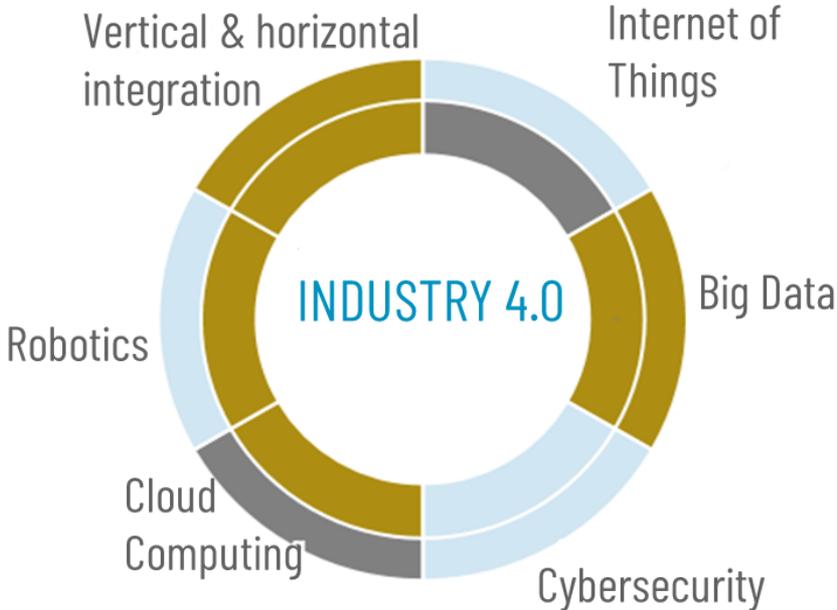
Red Electrica will boost smart grids initiatives to shape the future energy grid

Telecommunications



Telecommunications infrastructures as the driver of industry 4.0

- Need for infrastructures that meet the need for:
 - Exponential increase in data volumes.
 - Need for higher quality technologies that reduce latency.
 - Universal coverage (hyperconnectivity).



Innovation, entrepreneurship, and technological development: Initiatives to face future challenges

Technological factory

- A space where Labs will be created to develop new R+D solutions to shared challenges (robotics, artificial intelligence, immersive reality, Internet of Things).

Start-up accelerator

- It will make it possible to establish mechanisms for contact, interaction, identification, and acquisition of technological start-ups that, due to their activity, are of interest as the basis for exploration of new digital-based businesses, and/or to generate strategic partnerships.

Project Management Office

- Facilitator of means and resources. It will provide support to achieve the strategy and goals set and monitor them.

Innovation Hub

- It will promote intrapreneurship by launching internal entrepreneurship corporate programmes to mobilise the entrepreneurial talent among employees.

RE Group is committed to being a benchmark in the promotion and creation of shared value in the digital transformation process, promoting a minimum of 120 initiatives

Corporate Governance progress



- ✓ Separation of non executive Chairman and CEO functions insight.
- ✓ 58% Independent Directors.
- ✓ 42% of the Board members are women.
- ✓ Constitution of the Sustainability Committee, mainly constituted by Independent Directors.

Red Electrica committed within Board of Directors independence, diversity, adequate balance of powers and accurate supervision

Sustainability Commitment 2030

Decarbonisation of the economy

- Reducing our Greenhouse Gas Emissions by more than 40%.
- Empowering 100% of society for active involvement in the energy transition process.
- Guaranteeing the supply of electricity from renewable energy sources in at least 80% of the total demand.

Responsible value chain

- Being the driver of change in our suppliers.
- Being a company financed with 100% ESG criteria by 2030.

Contribution to the development of the environment

- Being a leader in gender equality: parity in senior management in 2030.
- Being a leader in diversity: inclusion of minorities at risk of social and work exclusion.
- Generating a positive net impact on the Natural Capital in the environment near our facilities.
- Completely closing the digital gap: 100% of people connected in the environment near our facilities.

Anticipation and action for change

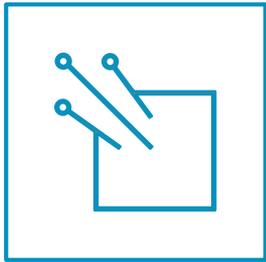
- Being a leader in the promotion and creation of shared value in the digital transformation process, promoting a minimum of 120 initiatives.
- Being a 100% circular company.

The Red Eléctrica Group understands sustainability to mean the commitment of the company's permanence through the creation of shared value for all of its stakeholders in the responsible execution of its activities.

The new Strategic Plan leads to a Red Eléctrica Group that is...

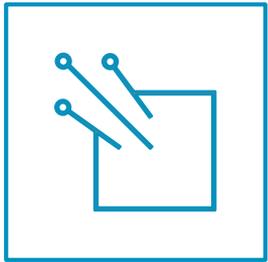


- ✓ More diversified in key sectors of the economy.
- ✓ Stronger and more solid, with more capitalised businesses.
- ✓ Larger, with more investments.
- ✓ More useful socially.
- ✓ More profitable for its stakeholders.
- ✓ More stable, due to better diversification between regulatory and market risk.



Results 2018 & Strategic Plan 2018-2022





2018 Results



Significant events 2018

Results

- Net profit €705M, a 5.2% rise compared to 2017
- Dividend proposed in the AGM of €0.9831 per share, a 7% increase on last year.

Investments

- Group investments €546.6x M Spain transmission grid investments €378M.
- Commissioning of the Azángaro-Juliaca-Puno line in South Peru through TESUR2.
- Acquisition of the Chilean company Centinela Transmisión, for €101.2 M.
- Agreement for the acquisition of CCNCM in North Peru for €181 M.
- Red Electrica Group as global operator of telecoms infrastructure: Hispasat acquisition for 949 million euros.

Regulation

- October, CNMC proposes a 5.58% pre-tax financial remuneration rate.
- December, draft bill including the remuneration rate proposed by CNMC.
- January 2019, approval of the Royal Decree Law to adapt CNMC competences.

Significant events 2018

System Operation

- 23 January 2019, new record daily wind energy generation in the Peninsular electricity system.
- Integration of renewables: 40% of electricity generation in 2018 (vs 33.7% in 2017).
- Launch of the European Cross-Border Intraday Market (XBID).

Corporate Governance

- Appointment of Mr Jordi Sevilla Segura as director of Red Eléctrica Corporación, S.A. and non-executive chair of the Company's Board.
- Appointment of María Teresa Costa Campi and Antonio Gómez Expósito as external nominee directors proposed by SEPI.
- 58% of independent directors on the Board.
- 42% of Board members are women.

Sustainability

- Creation of the Sustainability Committee, comprised in its majority by independent directors.
- Sustainable mobility challenge. Partnership agreement with FEMP (Spanish federation of municipalities) to promote use of the electric car in municipalities and provide public recharge points.
- REE remains in the Dow Jones sustainability index

2018 Results

Key economic figures

<p>€1,948.5M Revenue</p> <p>+0.4%</p>	<p>€1,539.8M EBITDA</p> <p>+1.3%</p>	<p>€704.6M Net Profit</p> <p>+5.2%</p>
<p>€4,682.7M Net financial debt</p> <p>-2.3%</p>	<p>€546.6M Total investment</p> <p>+7.1%</p>	<p>€378.2M Transmission grid Investment</p> <p>-8.2%</p>
<p>2.42% Cost of debt</p> <p>2.78% in 2017 </p>	<p>3.0x ND/EBITDA</p> <p>3.2x in 2017 </p>	<p>26.0% FFO / Debt</p> <p>24.8% in 2017 </p>

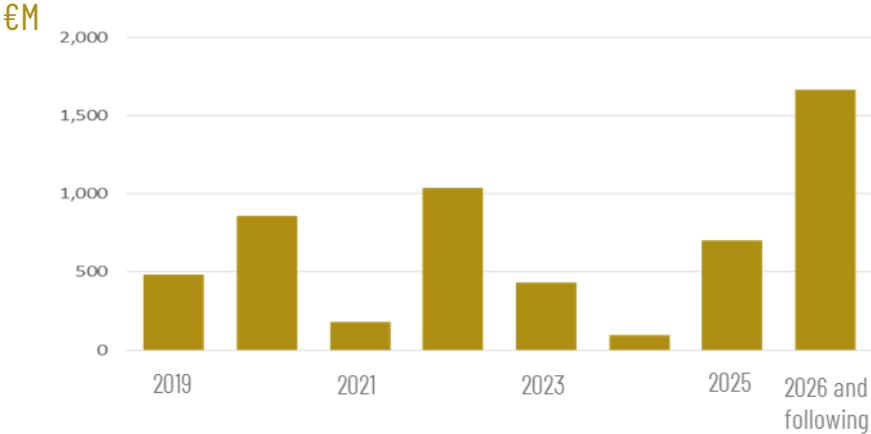
Profit for the year has risen by 5.2%

Results in line with the growth target of the strategic plan 2014-19.

2018 Results

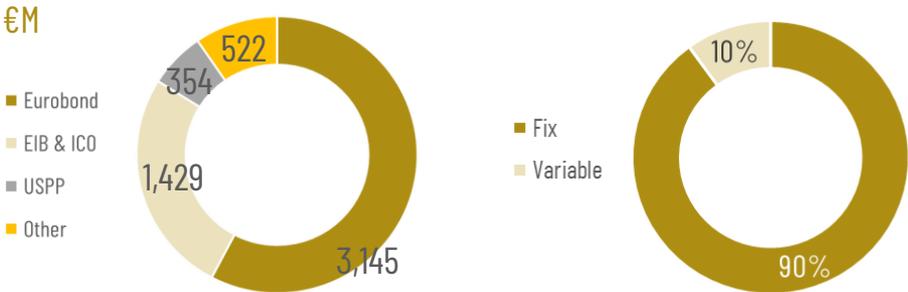


Maturities



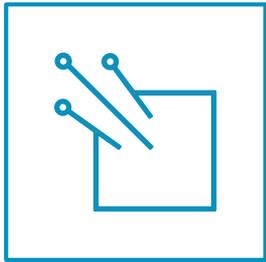
- Average debt life 5.3 years
- Liquidity sources €2,593 M.
- Pre-hedging strategy:
 - 40% of bond maturities 2019-2022 through deferred interest rate swaps.
- Rating: 'A-' Standard & Poor's and 'A' Fitch (RWN)*.
- Sustainable financing:
 - €800 M syndicated loan associated with ESG criteria.
 - First €150 M blockchain-based multi-currency syndicated loan

Debt structure



(*) Rating Watch Negative

Large and diversified sources of funding. Proactive management of maturities



2014-2019

Strategic Plan Achievements



Achievements

2014-2019 Targets

2014-2019 investment:

€4,575M



2014-2019 Efficiency

≥ 200bp. Margin in 2019



Financial Structure

3.5x Average Net Debt/ EBITDA



Growth 2014-2019:

5-6 %_{BPA TACC} 7 %_{DPA TACC}



Achievements

Investments Made

€3,456M



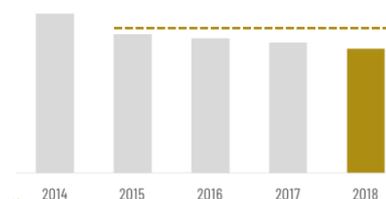
Investments Committed

€1,462 M

(*) Includes CCNCM and Hispasat operation.

EBITDA Margin 2018

79 % (429bp. > Margin 2013)



3.4x

Average for the period



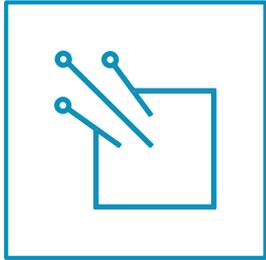
BPA Growth

5.9 % TACC 2014-2018(*)

DPA Growth

7 % TACC 2014-2018

(*) Calculated based on 2013



HISPASAT

Transaction



Satellite infrastructure business and use cases

Wholesale business



Stable revenue



Capital intensive with high margins



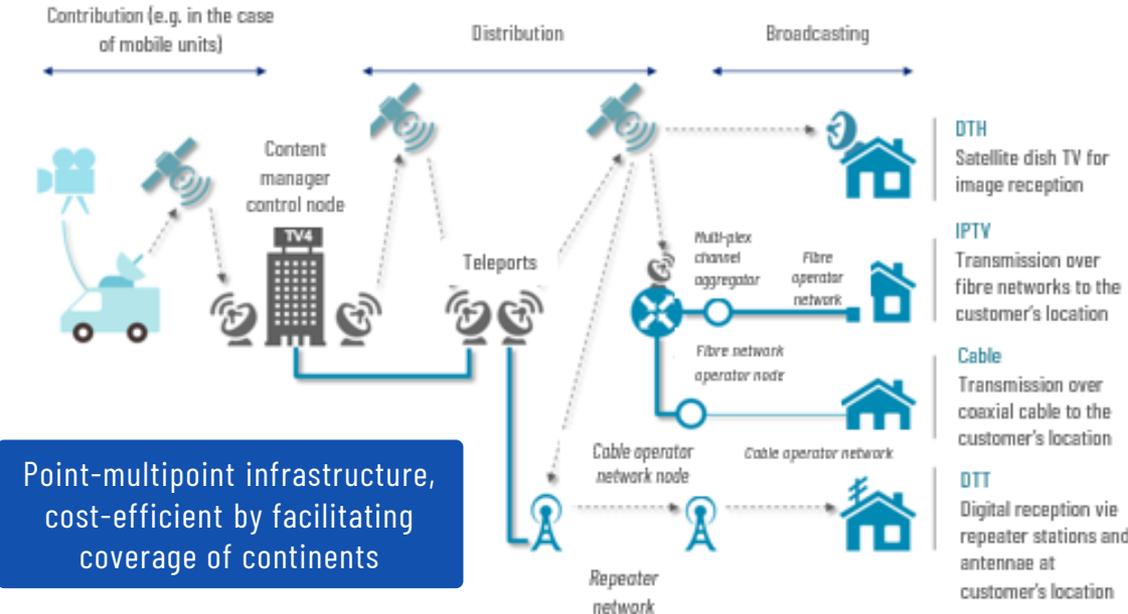
Efficient Technology



Complementary business to dark fibre optics

- Video Retransmission
- Data Retransmission: Backhaul & last mile of the landline network
- Mobility services

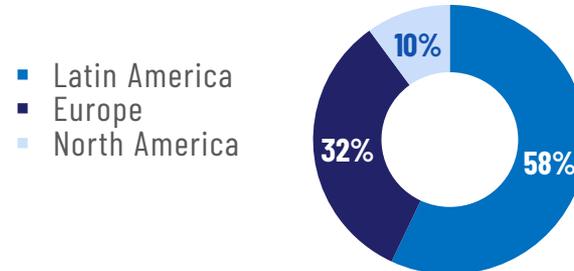
Satellite video transmission diagram



HISPASAT

- World's 8th biggest satellite operator.
- 4th biggest satellite operator in Latin America.
- Stable and consolidated customer base.
- Leader in content distribution in Spain and Portugal.

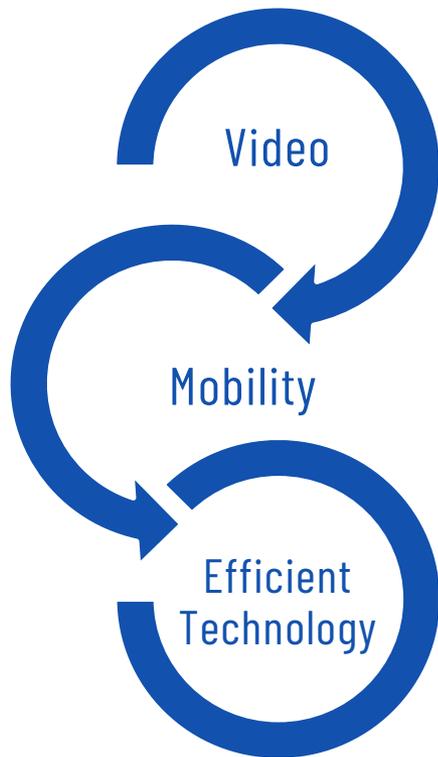
Revenue by geographical region



2018	M €	31 December 2018	
Revenue	204	EBITDA margin	79%
EBITDA	161	Assets	1,238
Net Profit	42	Net Financial Debt/EBITDA	1.8x

Spanish communications satellite operator. Principal distributor of content in Spanish and Portuguese via satellite

Growth Keys



- Video: Stable business in the medium term with revenue certainty, long-term contracts and exit barriers.
- Very dynamic LatAm market with growth in demand of 3% p.a.
- New opportunities for business in mobility: Satellite technology enables data to be transmitted to mobile elements, both for transportation operations and customers/passengers.
- HTS expands the market, enabling the meeting of new sources of demand.
- Improvements in the technology for manufacturing and launching satellites allow investments to be optimized and cycles to be shortened.
- Systems for cooperation between fixed and mobile operators (operators in geo orbits and operators in medium and low orbits).

Financial aspects of the transaction

Valuation

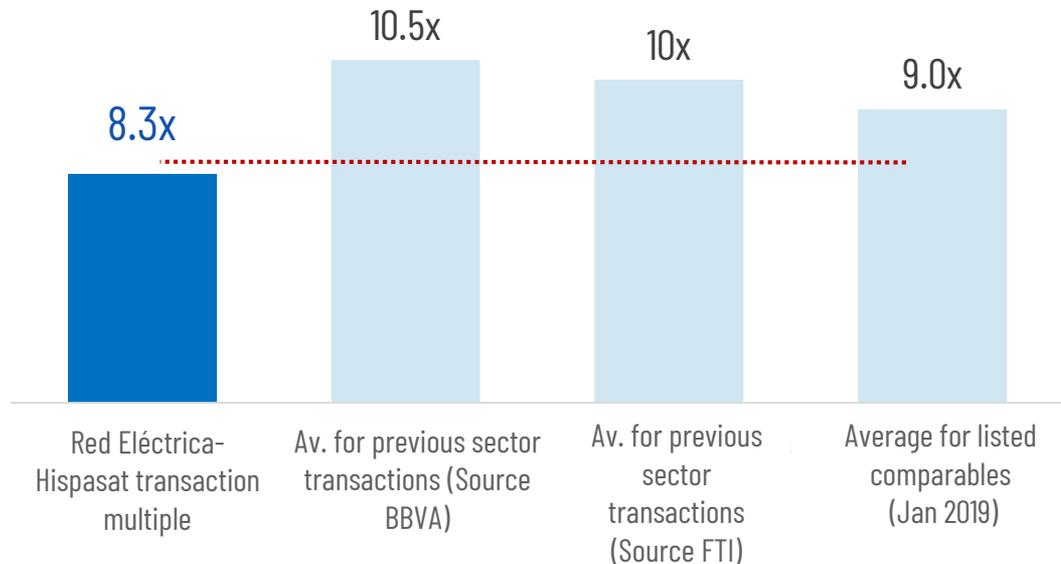
- Acquisition of 89.7% for 949 million euros, an attractive multiple.
- Transaction at under the transaction average for comparables.

Financing

- 100% available resources and financial debt.

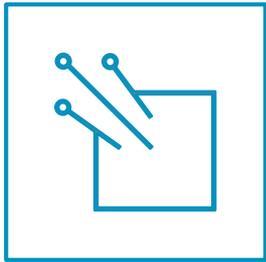
Better acquisition multiples than previous transactions in the sector and comparable listed companies

Múltiplo Enterprise Value /EBITDA



11 Includes: Acquisition of 100% of Telesat by Loral Space and PSP (2006), acquisition of 76% of Intelsat by BC Partners, Silver Lake and Unison Capital (2007), acquisition of 100% of WildBlue by ViaSat (2009), acquisition of 100% Hughes by Echostar (2011) and acquisition of 100% of Satmex by Eutelsat (2013).

2 Comparables: SES, Intelsat, Eutelsat.



Strategic Plan 2018-2022

Key points



Key factors to promote sustainable development



Promoting the energy transition.



Leading operator in telecommunications infrastructures.



International development: natural way to grow and highlight the value of our key abilities.



Operative efficiency and financial discipline

Promoting the energy transition

Infrastructures for the integration of renewables

- Transmission Grid investments that will allow:

- Integration of renewables
- Supply reliability and safety.
- Network meshing.
- Network and technology digitalisation.



- Increase in interconnection capacity to:

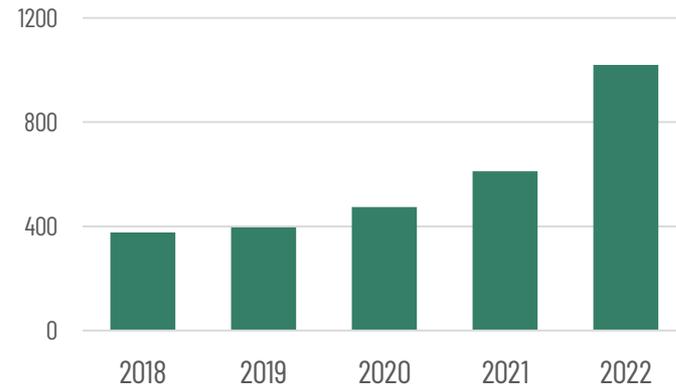
- Face variability in renewable generation.
- Minimise limitations on the production of renewable energy.
- Reduce the need for backup generation.



- Storage:

- Optimising the renewable generation profile without losing the primary resource (wind or sun).
- Stabilising and optimising network capacity.

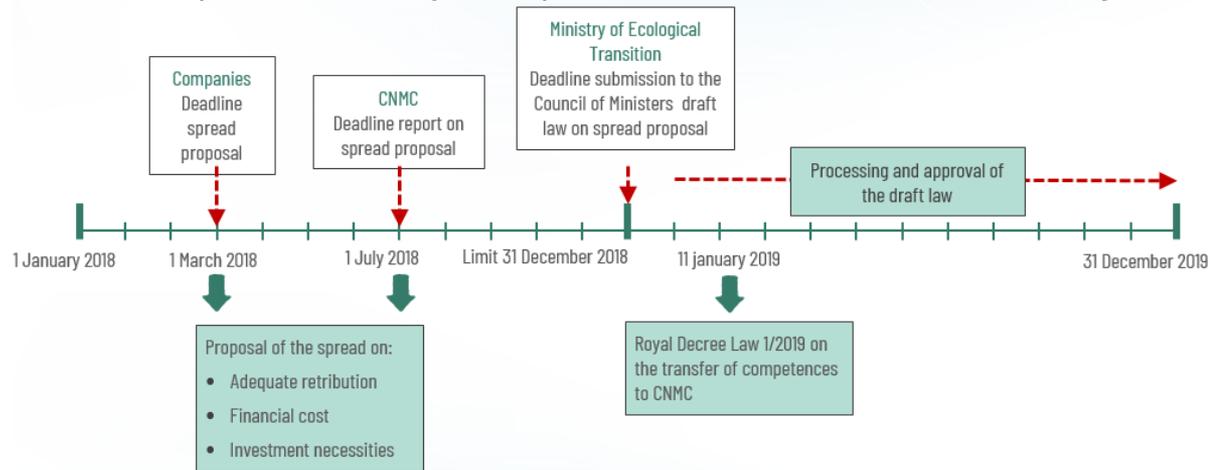
Total investments €3,228 M, mainly broken down as follows: Transmission Grid €2,880 M, Storage in the Canary Islands €185 M and System Operation €54 M



Average Transmission Grid investment for the 2018-2022 period will be €575M, 39 % more than in the 2014-2017 period

Visibility and regulatory stability

- Next regulatory period 2020-2025.
- Nominal pre-tax 5.58% financial remuneration rate proposed for the next period.
- The rate may not undergo annual variations greater than 50 bp, both upward and downward.
- Incentives for efficiency and for transmission grid availability are established.
- Incentives for useful life extension. Once completed, extension will be remunerated in addition to O&M remuneration.
- Royal Decree Law 1/2019 on the transfer of competences to CNMC. Independent regulator.
- Sufficient and adequate model for System Operator remuneration to face the challenges of the energy transition.



Remuneration model that makes it possible to implement and finance the investments required by the energy transition with reasonable returns

Leading operator in telecommunications infrastructures

Satellite business and dark fibre rental

Customer portfolio increase

- Access to new market segments in fibre optic business and new clients base through Hispasat acquisition.

Extension to other markets

- Extending the telecommunications supply of services to new sectors (utilities, transmission...) and geographical areas.
- Looking for strategic associates, that support the search of new products and/or markets, maintaining while possible a majority stake.

Analysis of opportunities

- Analysing the synergies of the assets available in Spain with the deployment of the new telecommunications technologies.

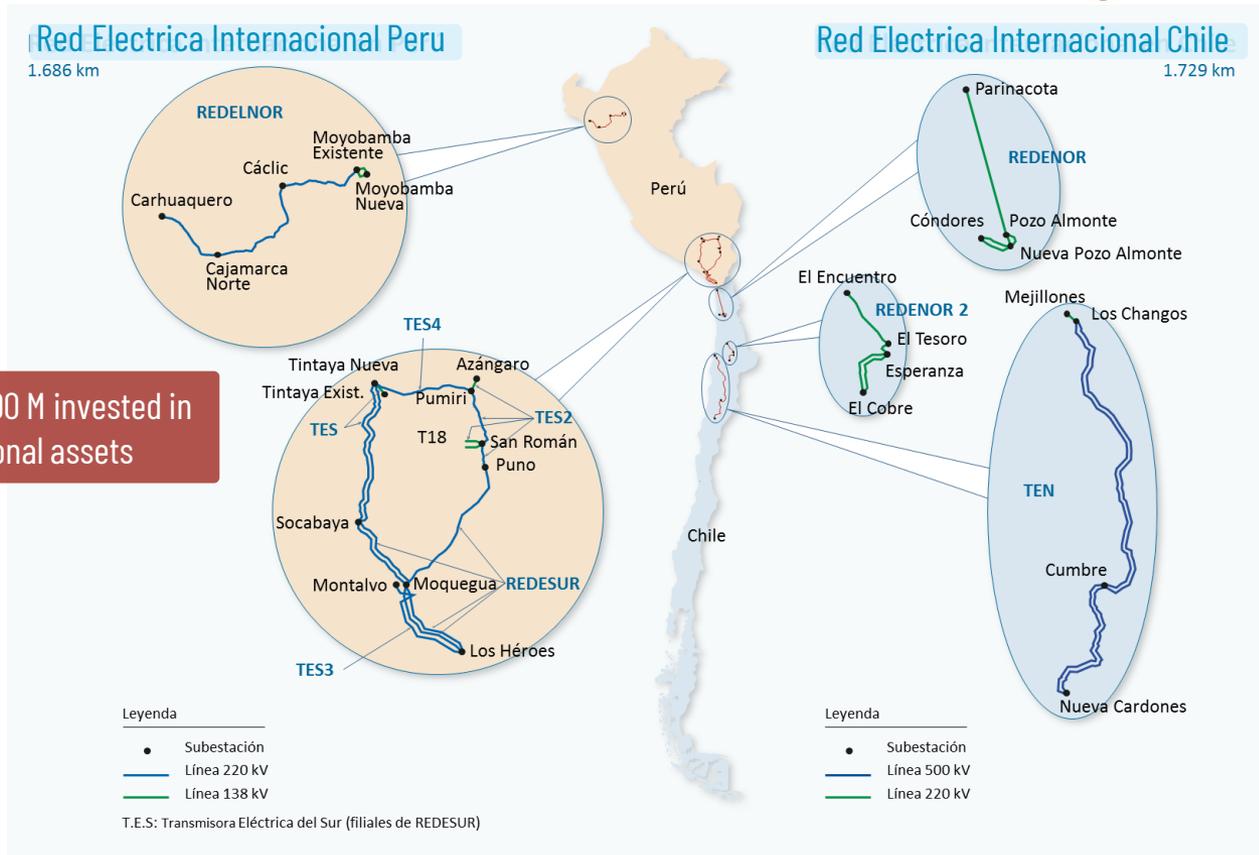
New infrastructures

- Acquiring optic fibre or other telecommunications structures that can be exploited neutrally, guaranteeing transparent access under equal conditions to all sector agents.

Promoting the growth of the current business and expanding the services offered by Reintel.
Investments about €1,700 M, including Hispasat's acquisition*

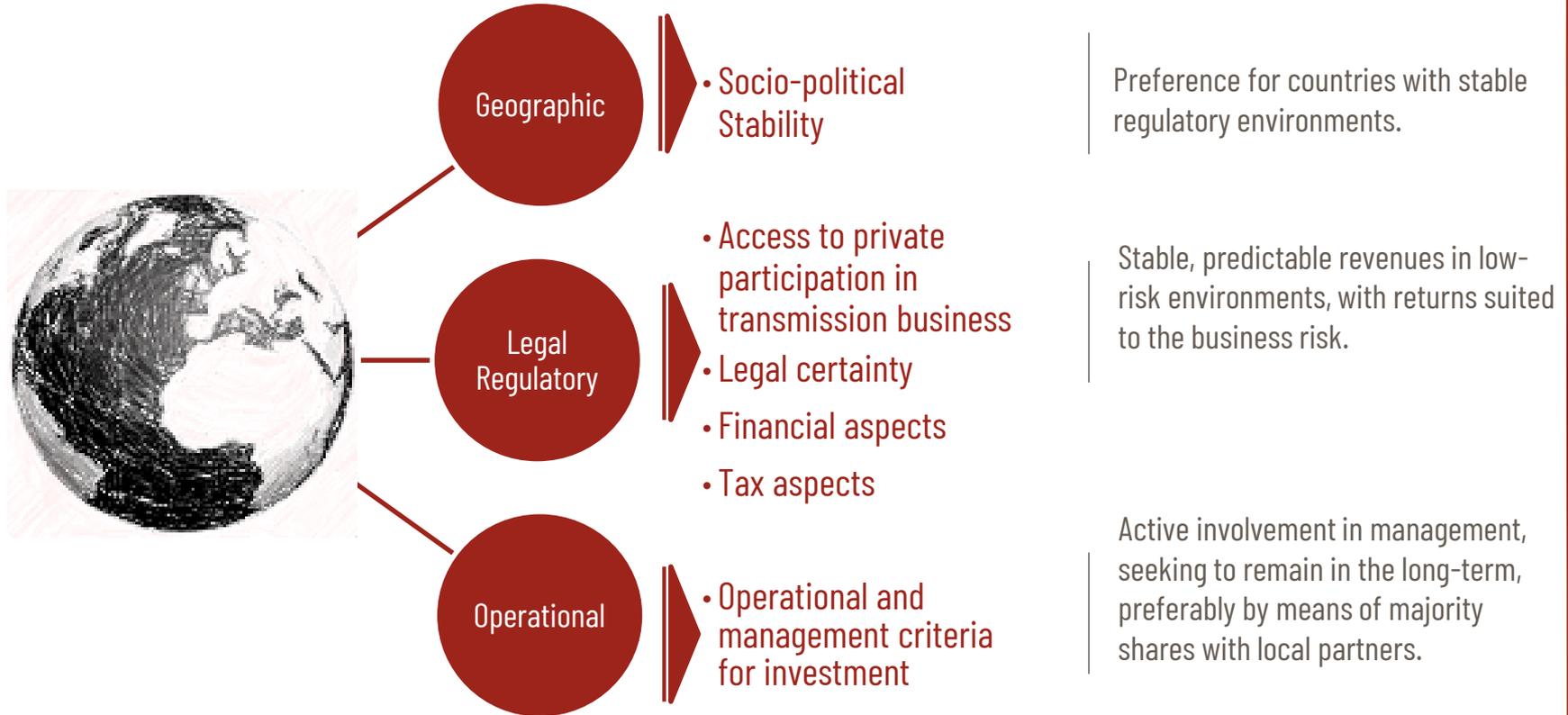
(* Hispasat's acquisition amounted to 1,234 million euros.

International development: natural way to grow and highlight the value of our key abilities



Making use of our experience in our core business to consolidate our position in Peru and Chile

... and analyse its deployment in other stable countries



Investment in International Regulated Transmission will be about €1,000 M in the period 2018-2022

Operative efficiency and financial discipline

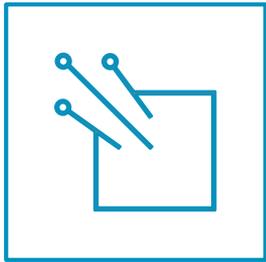
Operative efficiency

- Digitalisation as a lever to optimise business processes.
- Technologies to optimise predictive maintenance.
- Big Data technologies, artificial intelligence, and task automation.

Financial efficiency

- Optimization of cost of financing.
- Advance in the integration of sustainability criteria in financing: 100% financing with ESG 2030 criteria.
- Net Financial Debt/ EBITDA average in the period will be in levels of 4x.
- FFO / Net Financial Debt higher than 17% during the period.

Maintaining a financing policy that optimises the cost of financing and is as flexible as possible in the selection of the financial tools to be used, in more demanding environments



2018-2022

Commitments



Our commitment 2018-2022

Total investment €6,000 M

~ 50% Energy Transition in Spain

EBITDA margin > 76 % average in the period

Financial discipline Net Debt /EBITDA ~ 4X average

Net Profit Sustainability BDI > 1% TACC 2018-2022*

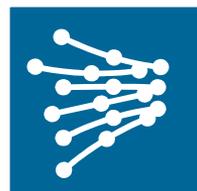
Dividend Policy

2019: € 1.05 per share

2020-2022: at least € 1 per share

Creating Sustainable Value for our stakeholders

* Base year 2017



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Presentation available at:

www.ree.es

Shareholders and investors



MEMBER OF
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